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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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COUNTRY Austria/USSR

SUBJECT USIA Dismantlings and Sales

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1. Although there has been no evidence of wide-scale dismantling of capital goods, there are indications that the Soviets may initiate such a program in the near future. On 10 August 1949, OSIPOV, Commercial Director of USIA's Construction and Building Materials Administration, stated that Director Dmitri SINDROV had received an order from Moscow directing him to appraise all machinery held at firms supervised by this USIA Administration. Shortly thereafter, SINDROV issued a questionnaire to each firm regarding machinery now being operated in current production, specifically requesting an assessment of the production capacity and a statement as to the percentage of time per day each machine is in operation. As a result of this assessment, SINDROV has ordered the removal of a large horizontal planing machine and three drills from the Bahnbedarf A.G. plant. This equipment is scheduled for transfer to a location where it can be more profitably used, but it is not clear if this means that it will be shipped abroad, sent to DDSG-Korneuberg docks, or delivered to one of the larger USIA firms, which the Soviets allegedly intend to retain for some time after the conclusion of an Austrian State Treaty. OSIPOV alleged that only smaller and less profitable USIA firms will have to turn over machinery immediately, although all USIA plants have been requested to fill out these questionnaires. 25X1X

2. According to OSIPOV and KUZHINENKO, the Soviets regard the DDSG Korneuberg dock area as extra-territorial property, and this area is to be used as a storage depot for machinery and equipment removed from USIA installations which cannot be shipped out of Austria either because of a shortage of shipping space or because transactions involving these items have not been completed. On 17 August 1949, two Danube River passenger ships and six tugs were under repair at this dock. Large covered and open storage areas were being cleared in anticipation of the arrival of several narrow-gauge locomotives and six Vulkan milling machines from Bahnbedarf A. G. expected some time during the week of 22 August 1949. So far, the Soviets have not been able to find a purchaser for these milling machines, which they removed from the German Munitions Works at St. Georgen a/d Gusen, had repaired at Bahnbedarf, and offered for sale at 12,000 schillings apiece.

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3. In addition to certain small dismantling projects, such as recent dismantlings at the German Machine Works in St. Georgen a/d Gusen, the Soviets have removed a considerable amount of construction equipment from firms controlled by USIA's Building and Construction Materials Administration.* Recently, excavators, narrow-gauge locomotives, and tipple cars owned by Philipp Holzmann A.G., Ueberland Hoch-Tief-und Strassenbau A.G., and Saxon & Weissen were sold to Hungarian, Czechoslovak and Austrian purchasers. Most of this equipment is now at Bahnbedarf A.G. for repairs.** A short time ago, A. Porr A.G., a firm in which the Soviets have claimed only part interest, was directed to loan a Diesel excavator to the USIA-controlled firm, Ueberland. Ueberland cleaned and greased the excavator, which was then shipped by USIA to the Hungarian National Highway and Railway Construction Corporation in Budapest. Since USIA now claims the excavator as a German asset, no payments have been made to A. Porr A.G. or Ueberland Hoch-Tief-und Strassenbau A.G.***

4. According to Alfons WEBER of Egon von Tresck, the Soviets are trying to sell as much machinery and equipment from USIA-controlled firms as feasible, and those items which are not designated for shipment to the USSR, and cannot be sold immediately, may be stored for sale at a later date. WEBER alleges that the Soviets are confronted with an increasing sales resistance on the part of Austrian buyers who object to USIA's high prices and who are also reluctant to purchase from USIA, for fear these transactions may be declared invalid by the Austrian Government in the post treaty period. WEBER also stated the Soviets are still trying to sell an unspecified number of new R-42 locomotives for schillings or on a compensation basis. Scuser believes the Soviets may eventually accept a sell-out price merely to get rid of these locomotives.****

* 25X1A Comment: [REDACTED] for a report on other USIA dismantling projects. 25X1A

25X1A [REDACTED] Comment: This equipment may have been included in the list of equipment now at Bahnbedarf for repairs given in [REDACTED] 25X1A

**** 25X1A [REDACTED] Comment: This information regarding the shipment of an excavator from Porr A.G. has been confirmed by [REDACTED] 25X1A and in a recent report from another agency.

***** [REDACTED] For a previous report on the subject of R-42 locomotives,

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